

HOPKINS PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Hopkins Public Schools
Hopkins, Michigan

September 5, 2007

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hopkins Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools as of June 30, 2007 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
Hopkins Public Schools

September 5, 2007

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2007, on our consideration of Hopkins Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xiii and page 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hopkins Public Schools' basic financial statements. The additional information on pages 27 to 52 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maner, Costinison & Ellis, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hopkins Public School District's (HPS) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The 2006/07 school year resulted in an operating deficit in the General Fund for the fourth consecutive year. As in the past, this deficit was anticipated when the initial budget was adopted in June of 2006. The initial projection of a budget deficit was for a \$207,000 deficit, while final numbers came in at the \$148,000 deficit level. In 2006/07 health insurance increases and pension increases moderated from previous years to less than 10%, their increase still amounted to more than \$100 per pupil in total. District General Fund balances still remain above two million dollars or about 17% of District expenditures.

The Athletic Fund had a decrease in fund balance of approximately \$1,600 for the year as a new soccer program moved into the high school to the junior varsity sports level during 2006/07. The current fund balance in the athletic account is just over \$10,000 or around 12% of expenditures.

The School Lunch fund returned a slight increase in fund balance for 2006/07. The surplus of around \$5,000 increased the year end fund balance to over \$30,000 or about 5% of yearly expenditures.

Total District expenditures exceeded \$15,000,000 with revenues slightly less than that total at \$14,665,000. District fund balances (with the exception of the 2007 Capital Projects Fund) decreased around \$183,000 from \$3,082,000 to \$2,899,000 at the end of fiscal 06/07.

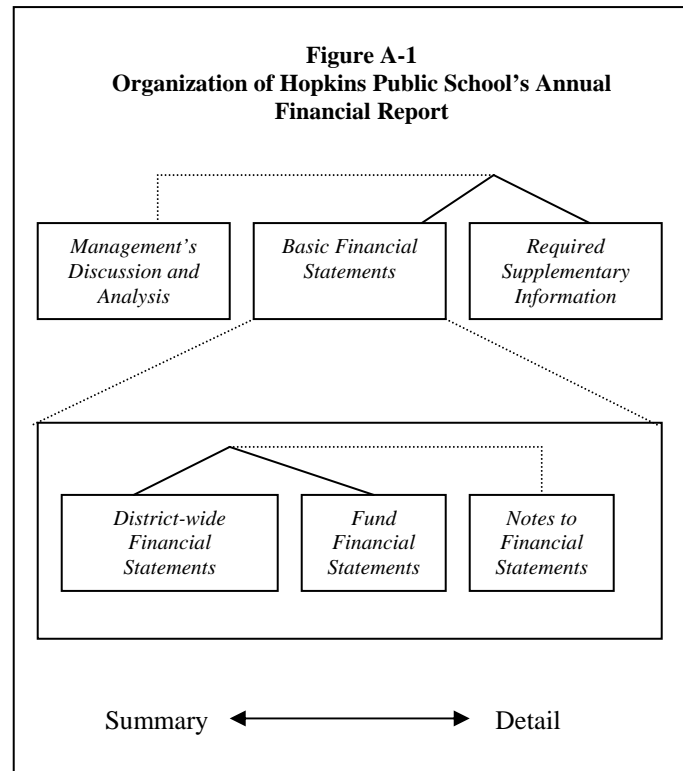
On May 8, 2007, District voters approved a bond issue for 17.9 million dollars. This bond issue is to fund classroom additions as well as increased office, media and gym facilities. It will also expand parking as well as District athletic fields.

During the 2006/07 year, the District retired principal of \$805,000 in long term debt. The District was able to repay \$210,000 to the School Loan revolving Fund (SLRF) though interest on the fund still exceeded the year's repayment.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - District net assets increased to a positive amount during fiscal 2006. Higher repayments of District indebtedness as well as lower borrowing from the school bond loan fund contributed towards that change.

Table A-3		
Hopkins Public School's Net Assets		
	2007	2006
Current and other assets	\$22,929,874	\$ 4,421,052
Capital assets	20,321,251	20,140,757
Total assets	43,251,125	24,561,809
Long-term debt outstanding	39,193,054	22,079,413
Other liabilities	3,558,598	2,423,194
Total liabilities	42,751,652	24,502,607
Net assets		
Invested in capital assets, net of related debt	(1,513,372)	(1,996,468)
Restricted	260,006	307,457
Unrestricted	1,752,839	1,748,213
Total net assets	\$ 499,473	\$ 59,202

Table A-4		
Changes in Hopkins Public School's Net Assets		
	2007	2006
Revenues:		
Program revenues	\$ 640,395	\$ 613,267
Charges for services	493,459	491,191
General revenues:		
Property taxes	2,168,999	2,022,836
State aid - unrestricted	10,978,524	10,275,825
Other	397,441	764,588
Total revenues	14,678,818	14,167,707
Expenses:		
Instruction	7,069,429	6,823,574
Support services	4,940,166	5,088,556
Community services	27,924	30,107
Food services	648,020	633,075
Athletics	114,313	114,519
Interest on long-term debt	1,008,874	1,011,202
Unallocated depreciation	429,821	190,325
Total expenses	14,238,547	13,891,358
Increase in net assets	\$ 440,271	\$ 276,349

DISTRICT GOVERNMENTAL ACTIVITIES

Although fiscal 2007 saw District fund balances decrease on the whole, excluding the 2007 capital projects fund, by over \$183,000, this loss was less than had been projected in the initial budget hearing of June 2006. The beginning pay-down of District borrowing from the SLRF meant a decrease in this fund's cash balance, and the anticipated deficit of over \$200,000 in the General Fund prepared the Board of Education and administration for another significant reduction in cash reserves. The resulting deficit was smaller than had been anticipated, and reserves in the General Fund remain in excess of the Board's policy requirement of 15%

- Student growth remains positive. The District's blended student count (a combination of the winter and fall count during calendar year 2006) has once again increased from 1,546 in fiscal 2006 to 1,594 in fiscal 2007. The increase since 1998 has been from 1,311 in 1998 to 1,594, percentage increase of nearly 22% over the past 9 years. This increase led to the Board's decision to put a bond issue for classrooms and facility improvements on the May 2007 ballot, an issue which was approved by the voters 72% to 28%.
- The student foundation grant was increased by the state by \$185 per student in 2006/07. While increases in health, retirement, utilities, and diesel fuel used up most of this increase the District also added additional teaching staff to reduce average class size throughout buildings, and decided to purchase four new school buses rather than the normal two buses in advance of new pollution control requirements for future buses. This put the District in a general fund deficit position once again, but also set the District on a positive course heading into the 2007/08 school year.
- The District did increase lunch prices during 2007 but, also replaced a number of pieces of food service equipment. While a small surplus was recorded in the fund, it is expected that this will increase further in 2008.
- Soccer was advanced to the junior varsity level in 2007, and the increased participation in this and other sports helped push the District towards increasing athletic field space which was part of the May 2007 bond issue.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As mentioned earlier in most District funds, expenditures exceeded revenue during fiscal 2007, while District fund balances remains healthy. The Board of Education and Administration are exploring available options in the Athletic and School Lunch Department. Ongoing negotiations with employee groups are hoped to help the District's General Fund.

General Fund and Budget Highlights

During fiscal 2007 the District's budgets were amended several times to reflect the changes that had major impact upon the District.

Initial amendments were made once the student count, District hirings and State Aid was known. As utility amounts changed, other amendments were made to recognize those changes as well as other activities taking place throughout the year.

Final budget amendments were proposed in May, and approved by the Board of Education in June. This budget anticipated a deficit of \$146,000 for the year. Final figures showed a deficit of \$148,105.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital purchases in fiscal 2007 were again slightly higher than normal even with deficit pressures. Replacement of technology and four new school buses made up the majority of capital spending.

Table A-5 Hopkins Public School's Capital Assets Net of Depreciation		
	2007	2006
Land	\$ 267,000	\$ 50,000
Construction in progress	89,103	
Building and additions	18,748,725	19,200,389
Furniture and equipment	446,722	372,068
Transportation equipment	643,317	518,300
Total	<u>\$ 20,194,867</u>	<u>\$ 20,140,757</u>

Long-term Debt

At the conclusion of fiscal 2007 the District increased to over \$40,000,000 in general obligation bonds and long term debt outstanding. This amount was \$17,000,000 more than the 2006 fiscal year. During fiscal 2007 the District issued \$17,590,000 of new bonds, retired \$805,000 in bond principal, and added new borrowings from the School Loan Revolving Fund in the amount of \$56,876.

Table A-6 Hopkins Public School's Outstanding Long-Term Debt		
	2007	2006
General obligation bond (financed with property tax)	\$ 33,672,275	\$ 16,492,397
School bond loan fund	5,701,703	5,644,828
Other *	781,932	901,342
Total	<u>\$ 40,155,910</u>	<u>\$ 23,038,567</u>
* Accrued interest payable, accrued severance pay, accrued compensated absences.		

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several areas which could have a large impact on the 2008 fiscal year and the future.

- The State of Michigan has not yet set a School Aid Act for fiscal 2008. In addition the State is facing a potential budget deficit for 2008 of nearly 1.8 billion dollars, so additional State funding for education is problematic.
- District student count is expected to increase in 2008. At this point, the economy of the state and this area make it impossible to estimate the extent of the student count change.
- The District is beginning to see a larger backlog of unsold properties and homes which may impact District tax collections in the next fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Hopkins Public Schools, 400 Clark Street, Hopkins, MI 49328.

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental activities
ASSETS	
CURRENT ASSETS:	
Cash	\$ 1,536,117
Investments	1,244,405
Due from other governmental units	1,937,680
Interest receivable	27,840
Inventories	112,378
Prepaid expenditures	86,576
Restricted bond proceeds receivable	17,984,878
TOTAL CURRENT ASSETS	22,929,874
NONCURRENT ASSETS:	
Deferred charges, net of amortization	126,384
Capital assets	27,363,359
Less accumulated depreciation	(7,168,492)
TOTAL NONCURRENT ASSETS	20,321,251
TOTAL ASSETS	\$ 43,251,125
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 267,035
Accrued salaries and related items	551,059
Accrued interest	168,807
Accrued expenses	208,841
Note payable	1,400,000
Current portion of accrued severance pay	75,540
Current portion of long-term obligations	830,000
Current portion of compensated absences and retirement incentives	57,316
TOTAL CURRENT LIABILITIES	3,558,598
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	38,543,978
Noncurrent portion of compensated absences and retirement incentives	649,076
TOTAL NONCURRENT LIABILITIES	39,193,054
TOTAL LIABILITIES	42,751,652
NET ASSETS (DEFICIT):	
Invested in capital assets net of related debt	(39,151)
Restricted for debt service	260,006
Unrestricted	278,618
TOTAL NET ASSETS	499,473
TOTAL LIABILITIES AND NET ASSETS	\$ 43,251,125

See notes to financial statements.

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 7,069,429	\$ 600	\$ 429,545	\$ (6,639,284)
Support services	4,940,166	14,369	12,784	(4,913,013)
Community services	27,924	24,030		(3,894)
Food services	648,020	402,209	198,066	(47,745)
Athletics	114,313	52,251		(62,062)
Interest on long-term debt	1,008,874			(1,008,874)
Unallocated depreciation	429,821			(429,821)
Total governmental activities	<u>\$ 14,238,547</u>	<u>\$ 493,459</u>	<u>\$ 640,395</u>	<u>(13,104,693)</u>
General revenues:				
Property taxes, levied for general purposes				477,098
Property taxes, levied for debt service				1,691,901
Investment earnings				165,927
State sources				10,978,524
Allegan ISD special education allocation				131,377
Other				100,137
Total general revenues				<u>13,544,964</u>
CHANGE IN NET ASSETS				440,271
NET ASSETS , beginning of year				<u>59,202</u>
NET ASSETS , end of year				<u>\$ 499,473</u>

HOPKINS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

			Capital projects - public improvement fund	Other nonmajor governmental funds	Total governmental funds
	General fund	2007 Capital projects			
ASSETS					
ASSETS:					
Cash	\$ 864,754	\$	\$ 269,879	\$ 401,484	\$ 1,536,117
Investments	1,244,405				1,244,405
Interest receivable	27,840				27,840
Due from other governmental units	1,924,736				1,924,736
Due from other funds	12,538		230,037	2,067	244,642
Inventories	95,205			17,173	112,378
Prepaid expenditures	84,598			1,978	86,576
Restricted bond receivable		17,984,878			17,984,878
TOTAL ASSETS	\$ 4,254,076	\$ 17,984,878	\$ 499,916	\$ 422,702	\$ 23,161,572

LIABILITIES AND FUND BALANCES

LIABILITIES:					
Accounts payable	\$ 35,814	\$ 215,486	\$ 12,435	\$ 3,300	\$ 267,035
Accrued salaries and related items	551,059				551,059
Accrued expenses	208,841				208,841
Due to other funds	2,067	230,037	12,538		244,642
Accrued interest	51,806				51,806
Note payable	1,400,000				1,400,000
TOTAL LIABILITIES	2,249,587	445,523	24,973	3,300	2,723,383

			Capital projects - public improvement fund	Other nonmajor governmental funds	Total governmental funds
	General fund	2007 Capital projects			
FUND BALANCES:					
Reserved for inventories	\$ 95,205	\$	\$	\$ 17,173	\$ 112,378
Reserved for prepaid expenditures	84,598			1,978	86,576
Reserved for debt service				377,007	377,007
Reserved for capital outlay		17,539,355			17,539,355
Designated for accrued retirement benefits	706,392				706,392
Designated for subsequent year expenditures	217,000				217,000
Unreserved, undesignated	901,294		474,943	23,244	1,399,481
TOTAL FUND BALANCES	2,004,489	17,539,355	474,943	419,402	20,438,189
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,254,076	\$ 17,984,878	\$ 499,916	\$ 422,702	\$ 23,161,572

Total Governmental Fund Balances	\$ 20,438,189
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Amounts reported for governmental activities in the statement of net assets are different because:

Value of amortized bond issuance costs	126,384
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
The cost of the capital assets is	\$ 27,363,359
Accumulated depreciation is	(7,168,492)
	20,194,867
Long-term liabilities are not due and payable in the current period and are not reported in the funds	
Bonds payable	(39,373,978)
Compensated absences	(706,392)
Severance pay	(75,540)
Accrued interest on long-term debt is not included as a liability in government funds, it is recorded when paid	(117,001)
Deferred revenue at June 30, 2007, expected to be collected after September 1, 2007	12,944
Net assets of governmental activities	\$ 499,473

HOPKINS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General fund	2007 Capital projects	Capital projects - public improvement fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:					
Local sources:					
Property taxes	\$ 477,098	\$	\$	\$ 1,678,958	\$ 2,156,056
Investment earnings	101,299		29,224	35,404	165,927
Food sales and athletic admissions				447,277	447,277
Other	111,697			7,183	118,880
Total local sources	690,094		29,224	2,168,822	2,888,140
State sources	11,169,911			35,150	11,205,061
Federal sources	225,738			196,218	421,956
Incoming transfers	150,715				150,715
Total revenues	12,236,458		29,224	2,400,190	14,665,872
EXPENDITURES:					
Current:					
Instruction	7,249,059				7,249,059
Supporting services	5,066,463				5,066,463
Food service activities				646,433	646,433
Athletic activities				80,035	80,035
Community service activities	27,924				27,924
EXPENDITURES (Concluded):					
Capital outlay	\$	\$ 319,139	\$	\$	\$ 319,139
Debt service:					
Principal repayment				805,000	805,000
Interest expense				750,306	750,306
Bond issuance costs		126,384			126,384
Repayment of school bond loan fund				210,000	210,000
Professional fees			12,538	1,600	14,138
Total expenditures	12,343,446	445,523	12,538	2,493,374	15,294,881
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(106,988)	(445,523)	16,686	(93,184)	(629,009)
OTHER FINANCING SOURCES (USES):					
Proceeds from issuance of bonds		17,590,000			17,590,000
Premium on issuance of bonds		394,878			394,878
Operating transfers from other funds				40,941	40,941
Operating transfers to other funds	(40,941)				(40,941)
Total other financing sources (uses)	(40,941)	17,984,878		40,941	17,984,878
NET CHANGE IN FUND BALANCES	(147,929)	17,539,355	16,686	(52,243)	17,355,869
FUND BALANCES:					
Beginning of year	2,152,418		458,257	471,645	3,082,320
End of year	\$ 2,004,489	\$ 17,539,355	\$ 474,943	\$ 419,402	\$ 20,438,189

**HOPKINS PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Net change in fund balances total governmental funds **\$ 17,355,869**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities.

These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(710,167)
Capital outlay	764,277

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	125,308
Accrued interest payable, end of the year	(117,001)

Accrued severance pay is recorded in the statement of activities when incurred, but it is not recorded in the governmental funds until it is paid:

Accrued severance pay, beginning of year	189,465
Accrued severance pay, end of year	(75,540)

Proceeds and repayments of principal on long-term debt are revenues and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities):

Proceeds from issuance of debt	(17,590,000)
Principal repayment	805,000
Proceed from school bond loan fund	(266,875)
Repayments on school bond loan fund	210,000
Premium on bond issuance	(394,878)
Bond issuance costs	126,384

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue, beginning of the year	
Accrued revenue, end of the year	12,944

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences, beginning of the year	711,877
Accrued compensated absences, end of the year	(706,392)

Change in net assets of governmental activities	\$ 440,271
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**HOPKINS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007**

ASSETS	Private purpose trust fund	Agency funds
Cash	\$	\$ 51,480
Land	37,000	
Land improvements	3,522	
Building	40,000	
Building improvements	1,097	
	<u>\$ 81,619</u>	<u>\$ 51,480</u>
	<u><u>\$ 81,619</u></u>	<u><u>\$ 51,480</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Due to student groups	\$	\$ 51,480
Net assets:		
Reserved for school use	<u>81,619</u>	
	<u>\$ 81,619</u>	<u>\$ 51,480</u>
	<u><u>\$ 81,619</u></u>	<u><u>\$ 51,480</u></u>

There was no activity in the private purpose trust fund for the year ended June 30, 2007.

HOPKINS PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Hopkins Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Hopkins Public Schools (the "District") is governed by the Hopkins Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use, or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school District and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate District sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school District functions typically are financed. The acquisition, use and balances of the school District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Included are all transactions related to the approved current operating budget.

The *2007 capital projects fund* accounts for the receipt of debt proceeds and the acquisition or construction of capital facilities or equipment held by the District.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Concluded)

The following is a summary of the revenue and expenditures for the 2007 school bond:

	<u>2007 bonds</u>
Revenue and other sources	<u>\$ 394,878</u>
Expenditures and other uses	<u>\$ 126,384</u>

The above revenue figure does not include original 2007 school bond proceeds of \$17,590,000.

The *public improvement fund* accounts for the receipt of proceeds from the District's sale of its cable television channel and the acquisition or construction of capital facilities or equipment held by the District.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Nonexpendable trust funds account for assets where only the interest may be spent. These funds are not reported on the District's financial statements. The District's trust fund currently holds assets donated to the District.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual method of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

The state portion of the foundation is provided primarily by a state education property tax mileage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

For the year ended June 30, 2007, approximately \$181,000 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures as a result of a change in funding by the MDE.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposit and Investment Risk Disclosure*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.0
Debt service fund - Homestead and non-homestead	8.0

3. Inventories and prepaid items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case-by-case basis.

6. Compensated absences

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

9. Net asset reporting

In the computation of invested in capital assets, net of related debt, school bond loan fund and school bond revolving fund principal proceeds of \$4,227,482 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$1,474,221 has been included in the calculation of unrestricted net assets.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appointed in the subsequent fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.

HOPKINS PUBLIC SCHOOLS **NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2007. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2007, the District had the following investments.

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's Rating	%
Guaranteed investment contract	<u>\$ 1,244,405</u>	<u>0.14</u>	A1+	<u>100.0%</u>
Portfolio weighted average maturity		<u>0.14</u>		

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$1,518,260 of the District's bank balance of \$1,918,260 was exposed to custodial credit risk because it was uninsured and uncollateralized. Interest bearing accounts and certificates of deposit are included in the above totals.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the note payable disclosed in Note 6.

The Investment Agreement was dated as of August 18, 2006, by and among Wells Fargo Bank, N. A., as the Depository on behalf of both the participating Michigan School Districts and the Michigan Municipal Bond Authority, and Citigroup Global Markets, Inc., as Provider.

The net proceeds from the sale of the Series B-1 Notes were loaned by the Authority to Michigan School Districts. Such loans were repaid with monthly set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 102% of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 5.010% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Citigroup, Inc., as guarantor of the Provider's obligations under this Investment Agreement.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

A reconciliation of cash and investments as shown on the combined statement of net assets follows:

Carrying value:	
Cash on deposit with insurance company	\$ 33,600
Cash on hand	200
Carrying amount of deposits: Checking	1,177,797
Carrying amount of deposits: Money markets and CD's	376,000
Carrying amount of investment	<u>1,244,405</u>
Total	<u><u>\$ 2,832,002</u></u>
Per financial statements:	
Cash - including agency funds of \$51,480	\$ 1,587,597
Investments	<u>1,244,405</u>
Total	<u><u>\$ 2,832,002</u></u>

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 50,000	\$ 217,000	\$	\$ 267,000
Construction in progress		89,103		89,103
Total capital assets not being depreciated	<u>50,000</u>	<u>306,103</u>		<u>356,103</u>
Other capital assets:				
Buildings and additions	23,954,704	12,435		23,967,139
Furniture and equipment	1,411,619	181,509		1,593,128
Transportation equipment	1,560,475	264,230	377,716	1,446,989
Subtotal	<u>26,926,798</u>	<u>458,174</u>	<u>377,716</u>	<u>27,007,256</u>
Accumulated depreciation:				
Buildings and additions	4,754,315	464,099		5,218,414
Furniture and equipment	1,039,551	106,855		1,146,406
Transportation equipment	1,042,175	139,213	377,716	803,672
Net other capital assets	<u>6,836,041</u>	<u>710,167</u>	<u>377,716</u>	<u>7,168,492</u>
Net capital assets	<u><u>\$ 20,140,757</u></u>	<u><u>\$ 54,110</u></u>	<u><u>\$</u></u>	<u><u>\$ 20,194,867</u></u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (Concluded)

Depreciation for the fiscal year ended June 30, 2007 amounted to \$710,167.

Depreciation expense was charged to programs of the primary government as follows:

Instruction	\$ 60,853
Support services	185,215
Athletics	34,278
Unallocated depreciation	<u>429,821</u>
 Total depreciation	 <u><u>\$ 710,167</u></u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2007 at the fund level consist of the following:

	<u>General fund</u>
 State Aid - State of Michigan	 \$ 1,908,279
Other governmental units	<u>16,457</u>
	<u><u>\$ 1,924,736</u></u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

As of June 30, 2007, the District issued the 2007 bonds, but the proceeds were received subsequent to year end. As a result, the bonds proceeds of \$17,984,878 are recorded as a receivable.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - NOTE PAYABLE

At June 30, 2007, the District has outstanding a \$1,400,000 revenue note (state-aid note). The note, which has an interest rate of 3.68%, matures August 20, 2007. The District has \$1,244,405 of funds on deposit in a guaranteed investment contract with a financial institution, which are included in investments on the general fund balance sheet, to pay-off the note. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2006	Additions	Payments	Balance June 30, 2007
<u>\$ 720,000</u>	<u>\$ 1,400,000</u>	<u>\$ 720,000</u>	<u>\$ 1,400,000</u>

NOTE 7 - LONG-TERM DEBT AND LOANS PAYABLE

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

1998 general obligation refunding bonds due in annual installments of \$415,000 through May 1, 2026 with interest at 4.05% to 4.65%	\$ 7,885,000
1999 general obligation refunding bonds due in annual installments of \$390,000 to \$440,000 through May 1, 2026 with interest at 4.15% to 4.75%	7,750,000
2007 general obligation bonds due in annual installments of \$290,000 to \$1,050,000 through May 1, 2032 with interest at 4.0% to 5.0%	17,590,000
Plus: premium on bond issuance, net of amortization	<u>394,878</u>
Total general obligation bonds	33,619,878
1998 limited obligation bonds (Durant bonds) due in annual installments of \$7,115 to \$21,841 through May 1, 2013 with interest at 4.76%. Certain state aid payments have been pledged as security.	52,397
Borrowings from the State of Michigan under the School Bond Loan Fund, including interest	5,701,703
Accrued retirement benefits:	
Obligation under contract for compensated absences	506,767
Obligation under contract for termination benefits - severance	199,625
Obligation under contract for severance pay	<u>75,540</u>
Total general long-term debt	<u>\$ 40,155,910</u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT AND LOANS PAYABLE (Continued)

The District has entered into voluntary termination benefit arrangements with certain employees. The original agreement provides for a total payment to each individual of one year's salary. This amount is paid out over four equal payments. There are currently seven employees entitled to a future payment totaling \$75,540. The liability has been recorded at the face amount, as the discounted present value approximates the face amount of the liability.

The annual requirements to amortize the long-term obligations as of June 30, 2007, including interest of \$20,636,092, are as follows:

Year ending June 30,	Total
2008	\$ 2,226,603
2009	2,653,514
2010	2,662,881
2011	2,669,647
2012	2,658,506
2013-2017	13,094,772
2018-2022	12,094,338
2023-2027	9,954,478
2028-2032	<u>5,898,750</u>
	53,913,489
Borrowings from the State of Michigan under the School Bond Loan Fund, including interest	5,701,703
Premium on bond issuance	394,878
Accrued retirement benefits:	
Obligation under contract for compensated absences and retirement incentives	706,392
Obligation under contract for severance pay	<u>75,540</u>
Total general long-term debt and interest	<u><u>\$60,792,002</u></u>

An amount of \$377,007 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2007 was \$750,306. Also, the 1998 limited obligation bonds (Durant bonds) can be paid only through annual appropriations from the State of Michigan.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT AND LOANS PAYABLE (Concluded)

The following is a summary of the changes in liabilities reported in the general long-term debt account group:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due within one year
General obligation bonds	\$ 16,440,000	\$ 17,984,878	\$ 805,000	\$ 33,619,878	\$ 830,000
Limited obligation bonds	52,397			52,397	
School bond loan fund	5,644,828	266,875	210,000	5,701,703	
Accumulated unpaid sick pay	514,877		8,110	506,767	57,316
Accrued termination benefits	197,000	2,625		199,625	
Severance pay	189,465		113,925	75,540	75,540
Totals	<u>\$ 23,038,567</u>	<u>\$ 18,254,378</u>	<u>\$ 1,137,035</u>	<u>\$ 40,155,910</u>	<u>\$ 962,856</u>

At June 30, 2007 outstanding general obligation bonds of \$15,050,000 relating to the 1996 issue are considered to be defeased.

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

HOPKINS PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2007 were 16.34% of payroll through September 30, 2006 and 17.74% effective October 1, 2006 through June 30, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2007, 2006 and 2005 were \$1,174,368, \$1,058,970 and \$922,963, respectively, equal to the required contribution for each year.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement benefits or other post-employment benefits which are the responsibility of the State of Michigan.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the difference. The association maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Participant's annual dental and vision benefits are limited.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - RISK MANAGEMENT (Concluded)

Hopkins Public Schools is self insured for dental and vision claims. Claims for the year ending June 30, 2007 and 2006 were approximately \$231,136 and \$232,505, respectively. The estimated liabilities for claims incurred but unreported as of June 30, 2007 and 2006 is not significant.

The District continues to carry commercial insurance for all other risks of loss, including property and casualty and other employee health and accident insurance.

NOTE 10 - TRANSFERS

The general fund transferred \$40,941 to the special revenue fund, \$15,472 to the school lunch fund and \$25,469 to the athletics fund to cover operating deficits.

NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2007 are as follows:

Payable fund		Receivable fund	
General	\$ 2,067	Food service	\$ 2,067
2007 capital projects	230,037	Public improvement fund	230,037
Public improvement fund	12,538	General	12,538
	<u>\$ 244,642</u>		<u>\$ 244,642</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

REQUIRED SUPPLEMENTARY INFORMATION

**HOPKINS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007**

[illegible]

ADDITIONAL INFORMATION

**HOPKINS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2007**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Total nonmajor governmental funds</u>
ASSETS			
ASSETS:			
Cash	\$ 24,477	\$ 377,007	\$ 401,484
Due from other funds	2,067		2,067
Prepaid expenses	1,978		1,978
Inventories	17,173		17,173
TOTAL ASSETS	<u><u>\$ 45,695</u></u>	<u><u>\$ 377,007</u></u>	<u><u>\$ 422,702</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	<u>\$ 3,300</u>	<u>\$</u>	<u>\$ 3,300</u>
TOTAL LIABILITIES	<u>3,300</u>		<u>3,300</u>
FUND BALANCES:			
Reserved for inventories	17,173		17,173
Reserved for prepaid expenditures	1,978		1,978
Reserved for debt service		377,007	377,007
Unreserved, undesignated	23,244		23,244
TOTAL FUND BALANCES	<u>42,395</u>	<u>377,007</u>	<u>419,402</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 45,695</u></u>	<u><u>\$ 377,007</u></u>	<u><u>\$ 422,702</u></u>

**HOPKINS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2007**

	Special revenue	Debt service	Total nonmajor governmental funds
REVENUES:			
Local sources:			
Property taxes	\$	\$ 1,678,958	\$ 1,678,958
Investment earnings	3,214	32,190	35,404
Food sales and athletic admissions	447,277		447,277
Other	7,183		7,183
Total local sources	457,674	1,711,148	2,168,822
State sources	35,150		35,150
Federal sources	196,218		196,218
Total revenues	689,042	1,711,148	2,400,190
EXPENDITURES:			
Current:			
Food service activities	646,433		646,433
Athletic activities	80,035		80,035
EXPENDITURES (Concluded):			
Debt service:			
Principal repayment	\$	\$ 805,000	\$ 805,000
Interest expense		750,306	750,306
Repayment of school bond loan fund		210,000	210,000
Professional fees		1,600	1,600
Total expenditures	726,468	1,766,906	2,493,374
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(37,426)	(55,758)	(93,184)
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	40,941		40,941
Total other financing sources	40,941		40,941
NET CHANGE IN FUND BALANCES	3,515	(55,758)	(52,243)
FUND BALANCES:			
Beginning of year	38,880	432,765	471,645
End of year	\$ 42,395	\$ 377,007	\$ 419,402

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
BALANCE SHEETS
JUNE 30, 2007 AND 2006**

ASSETS	2007	2006
Cash	\$ 864,754	\$ 742,398
Investments	1,244,405	634,806
Due from other governmental units	1,924,736	1,903,472
Due from other funds	12,538	9,068
Accrued interest receivable	27,840	13,816
Inventories	95,205	74,675
Prepaid expenses	84,598	128,783
	<u>\$ 4,254,076</u>	<u>\$ 3,507,018</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 35,814	\$ 33,346
Accrued interest	51,806	17,663
Accrued expenses	208,841	198,619
Accrued salaries	551,059	364,663
Due to other funds	2,067	20,309
Note payable	1,400,000	720,000
Total liabilities	<u>2,249,587</u>	<u>1,354,600</u>
Fund balance:		
Reserved for inventories	95,205	74,675
Reserved for prepaid expenses	84,598	128,783
Unreserved:		
Designated for accrued retirement benefits	706,392	698,756
Designated for subsequent year expenditures	217,000	353,000
Undesignated	901,294	897,204
Total fund balance	<u>2,004,489</u>	<u>2,152,418</u>
	<u>\$ 4,254,076</u>	<u>\$ 3,507,018</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF REVENUES
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
LOCAL SOURCES:		
Property taxes	\$ 477,098	\$ 460,453
Interest	101,299	59,453
Other local revenue	88,828	76,324
Welcoming school grant	8,500	8,225
Building rentals	14,369	13,402
TOTAL LOCAL SOURCES	<u>690,094</u>	<u>617,857</u>
STATE SOURCES:		
State school aid	10,653,345	9,858,563
Special education	329,342	363,483
Vocational education	25,333	9,353
At risk	150,321	133,940
Durant	12,784	12,784
Other state revenue	(1,214)	15,039
TOTAL STATE SOURCES	<u>11,169,911</u>	<u>10,393,162</u>
FEDERAL SOURCES:		
Title I	159,994	152,199
Improving teacher quality	60,332	60,402
Drug free schools and communities	4,658	3,037
Other federal revenue	754	12,638
TOTAL FEDERAL SOURCES	<u>225,738</u>	<u>228,276</u>
INCOMING TRANSFERS:		
Special education	131,377	157,868
Other reimbursements	19,338	
TOTAL INCOMING TRANSFERS	<u>150,715</u>	<u>157,868</u>
TOTAL REVENUES	<u><u>\$ 12,236,458</u></u>	<u><u>\$ 11,397,163</u></u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2007 AND 2006**

INSTRUCTION:	2007	2006
Basic programs:		
Elementary:		
Salaries	\$ 1,817,219	\$ 1,736,575
Benefits	854,149	757,167
Purchased services	56,073	38,142
Supplies and materials	61,307	48,471
Other expenses	2,487	2,488
Capital outlay	133	5,979
Total elementary	<u>2,791,368</u>	<u>2,588,822</u>
Middle school:		
Salaries	818,376	747,782
Benefits	425,201	397,360
Purchased services	38,945	41,031
Supplies and materials	25,414	12,130
Other expenses	(437)	
Capital outlay	2,523	3,500
Total middle school	<u>1,310,022</u>	<u>1,201,803</u>
High school:		
Salaries	1,217,940	1,188,543
Benefits	602,649	599,153
Purchased services	50,062	46,053
Supplies and materials	87,606	76,997
Other expenses	8,313	10,199
Capital outlay	181,829	110,310
Total high school	<u>2,148,399</u>	<u>2,031,255</u>
Total instruction - basic programs	<u>6,249,789</u>	<u>5,821,880</u>
Added needs:		
Special education:		
Salaries	389,957	471,700
Benefits	211,261	241,937
Purchased services	106,991	132,389
Supplies and materials	2,525	6,468
Other expenses	178	736
Total special education	<u>710,912</u>	<u>853,230</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2007 AND 2006**

INSTRUCTION (Concluded):	<u>2007</u>	<u>2006</u>
Added needs (Concluded):		
Compensatory education:		
Salaries	\$ 148,851	\$ 147,651
Benefits	50,209	56,244
Purchased services	2,302	7,057
Supplies and materials	3,874	1,321
Other expenses	643	2,834
	<u>205,879</u>	<u>215,107</u>
Total compensatory education		
	<u>205,879</u>	<u>215,107</u>
Vocational education:		
Salaries	44,584	41,711
Benefits	26,895	27,536
Purchased services	5,014	3,802
Supplies and materials	4,009	5,939
Other expenses	1,977	696
	<u>82,479</u>	<u>79,684</u>
Total vocational education		
	<u>82,479</u>	<u>79,684</u>
Total instruction - added needs	<u>999,270</u>	<u>1,148,021</u>
TOTAL INSTRUCTION	<u>7,249,059</u>	<u>6,969,901</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
SUPPORTING SERVICES:		
Support services - pupil:		
Guidance services:		
Salaries	\$ 182,305	\$ 167,289
Benefits	86,377	91,645
Purchased services	3,812	3,071
Supplies and materials	5,111	4,494
Other expenses	1,758	986
	<u>279,363</u>	<u>267,485</u>
Total guidance services		
Psychological services:		
Salaries	32,911	39,646
Benefits	11,431	25,392
Supplies and materials	1,727	1,668
Other expenses	828	324
	<u>46,897</u>	<u>67,030</u>
Total psychological services		
Occupational therapist:		
Salaries	15,784	21,614
Benefits	5,170	7,556
Purchased services	88	232
Supplies and materials	538	179
	<u>21,580</u>	<u>29,581</u>
Total occupational therapist		
Social work services:		
Salaries	59,611	62,936
Benefits	32,229	30,404
Purchased services	981	248
Supplies and materials	578	263
	<u>93,399</u>	<u>93,851</u>
Total social work services		

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
SUPPORTING SERVICES (Continued) :		
Support services - pupil:		
Speech therapist services:		
Salaries	\$ 35,453	\$ 45,894
Benefits	12,474	13,946
Purchased services	44,374	6,359
Supplies and materials	1,454	763
Other expenses	150	190
	<u>93,905</u>	<u>67,152</u>
Total speech therapist services		
	<u>93,905</u>	<u>67,152</u>
Other pupil services:		
Salaries	25,527	25,829
Benefits	7,538	7,501
Purchased services	10,053	13,516
Supplies and materials	3,517	2,813
Other expenses	940	376
	<u>47,575</u>	<u>50,035</u>
Total other pupil services		
	<u>47,575</u>	<u>50,035</u>
Total support services - pupil	<u>582,719</u>	<u>575,134</u>
Support services - instructional staff:		
Library:		
Salaries	85,840	98,782
Benefits	32,240	37,213
Purchased services	4,272	3,289
Supplies and materials	18,952	15,838
Other expenses	4,333	4,963
	<u>145,637</u>	<u>160,085</u>
Total library		
	<u>145,637</u>	<u>160,085</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
SUPPORTING SERVICES (Continued):		
Support services - instructional staff (Concluded):		
Professional development:		
Salaries	\$ 4,500	\$ 5,389
Benefits	18,408	11,816
Purchased services	1,076	9,972
Supplies and materials	3,148	340
Other expenses	5,441	4,532
	<u>32,573</u>	<u>32,049</u>
Total professional development		
	<u>32,573</u>	<u>32,049</u>
Supervision and direction of instructional staff:		
Salaries	46,524	88,124
Benefits	14,468	42,606
Purchased services	154	3,430
Supplies and materials	131	4,368
Other expenses	667	667
	<u>61,277</u>	<u>139,195</u>
Total supervision and direction of instructional staff		
	<u>61,277</u>	<u>139,195</u>
Total support services - instructional staff		
	<u>239,487</u>	<u>331,329</u>
Support service - general administration:		
Board of education:		
Salaries	10,130	9,680
Purchased services	74,059	50,090
Supplies and materials	66	154
Other expenses	39,617	33,619
	<u>123,872</u>	<u>93,543</u>
Total board of education		
	<u>123,872</u>	<u>93,543</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
SUPPORTING SERVICES (Continued):		
Supporting services - general administration (Concluded):		
Executive administration:		
Salaries	\$ 146,118	\$ 143,953
Benefits	80,810	67,207
Purchased services	9,351	10,888
Supplies and materials	92	55
Other expenses	1,344	327
	<u>237,715</u>	<u>222,430</u>
Total executive administration	<u>237,715</u>	<u>222,430</u>
Total support services - general administration	<u>361,587</u>	<u>315,973</u>
Support services - school administration:		
Office of the principal:		
Salaries	525,620	516,151
Benefits	256,380	237,877
Purchased services	116,930	22,906
Supplies and materials	18,930	12,476
Other expense	6,984	10,919
	<u>924,844</u>	<u>800,329</u>
Total support services - school administration	<u>924,844</u>	<u>800,329</u>
Support services - business:		
Fiscal services:		
Salaries	158,961	162,624
Benefits	80,870	72,499
Purchased services	22,321	17,504
Supplies and materials	(3,689)	4,815
Other expenses	2,393	747
	<u>260,856</u>	<u>258,189</u>
Total fiscal services	<u>260,856</u>	<u>258,189</u>
Other business services:		
Purchased services	62,439	60,206
Interest on debt	51,336	21,401
	<u>113,775</u>	<u>81,607</u>
Total other business services	<u>113,775</u>	<u>81,607</u>
Total support services - business	<u>374,631</u>	<u>339,796</u>

**GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
SUPPORTING SERVICES (Concluded):		
Support services - operations and maintenance:		
Salaries	\$ 437,300	\$ 417,562
Benefits	285,677	276,720
Purchased services	565,642	481,578
Supplies and materials	88,299	45,890
Other expenses	9,938	17,109
Capital outlay	25,608	26,466
Total support services - operations and maintenance	<u>1,412,464</u>	<u>1,265,325</u>
Support services - transportation:		
Salaries	399,010	378,536
Benefits	171,783	149,720
Purchased services	57,501	51,139
Supplies and materials	84,716	107,714
Other expenses	4,443	7,374
Capital outlay	289,860	140,260
Total support services - transportation	<u>1,007,313</u>	<u>834,743</u>
Central:		
Salaries	95,312	84,318
Benefits	57,455	40,493
Purchased services	4,328	3,898
Supplies and materials	4,504	4,351
Other expenses	1,819	691
Total central	<u>163,418</u>	<u>133,751</u>
TOTAL SUPPORTING SERVICES	<u>5,066,463</u>	<u>4,596,380</u>
COMMUNITY SERVICES:		
Community services - child care:		
Salaries	20,717	21,983
Benefits	5,234	5,255
Supplies and materials	1,973	2,869
TOTAL COMMUNITY SERVICES	<u>27,924</u>	<u>30,107</u>
TOTAL EXPENDITURES	<u><u>\$ 12,343,446</u></u>	<u><u>\$ 11,596,388</u></u>

**HOPKINS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007
with comparative totals for June 30, 2006**

	School lunch fund	Athletics fund	Totals	
ASSETS			2007	2006
Cash	\$ 16,298	\$ 8,179	\$ 24,477	\$ 19,397
Due from other funds	2,067		2,067	20,309
Prepaid expenses		1,978	1,978	1,911
Inventories	17,173		17,173	10,772
TOTAL ASSETS	\$ 35,538	\$ 10,157	\$ 45,695	\$ 52,389
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 3,300	\$	\$ 3,300	\$ 9,068
Accounts payable				4,441
Total liabilities	3,300		3,300	13,509
Fund balances:				
Reserved for inventories	17,173		17,173	10,772
Reserved for prepaid expenditures		1,978	1,978	1,911
Unreserved:				
Undesignated	15,065	8,179	23,244	26,197
Total fund balances	32,238	10,157	42,395	38,880
TOTAL LIABILITIES AND FUND BALANCES	\$ 35,538	\$ 10,157	\$ 45,695	\$ 52,389

**HOPKINS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007
with comparative totals for the year ended June 30, 2006**

	School lunch fund	Athletics fund	Totals	
			2007	2006
REVENUES:				
Student lunches	\$ 175,960	\$	\$ 175,960	\$ 163,464
Adult lunches	15,885		15,885	16,053
Breakfast	12,100		12,100	10,388
Ala carte	173,997		173,997	166,694
Catering	23,814		23,814	34,819
State aid	35,150		35,150	33,526
Federal aid	196,218		196,218	176,323
Athletic activities		45,521	45,521	50,525
Investment income	2,513	701	3,214	1,720
Miscellaneous	453	6,730	7,183	5,155
Total revenues	636,090	52,952	689,042	658,667
EXPENDITURES:				
Food purchases	283,761		283,761	245,683
Sales tax	899		899	789
Salaries	182,758		182,758	191,494
Supplies and materials	4,083	25,923	30,006	62,449
Miscellaneous	486	2,225	2,711	5,432
Repairs	1,852		1,852	2,304
Capital outlay	241	9,217	9,458	13,595
Office expense	34,414		34,414	13,841
Benefits	63,831		63,831	62,873
Athletic activities		42,670	42,670	36,224
Contracted services	74,108		74,108	80,494
Total expenditures	646,433	80,035	726,468	715,178

**HOPKINS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007
with comparative totals for the year ended June 30, 2006**

	School lunch fund	Athletics fund	Totals	
			2007	2006
DEFICIENCY OF REVENUES UNDER EXPENDITURES	\$ (10,343)	\$ (27,083)	\$ (37,426)	\$ (56,511)
OTHER FINANCING SOURCES:				
Operating transfer in from general fund	15,472	25,469	40,941	36,538
NET CHANGE IN FUND BALANCES	5,129	(1,614)	3,515	(19,973)
FUND BALANCES, beginning of year	27,109	11,771	38,880	58,853
FUND BALANCES, end of year	<u>\$ 32,238</u>	<u>\$ 10,157</u>	<u>\$ 42,395</u>	<u>\$ 38,880</u>

**HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007
with comparative totals for June 30, 2006**

		<u>Totals</u>		
ASSETS	<u>1998</u>	<u>1999</u>	<u>2007</u>	<u>2006</u>
Cash	<u>\$ 184,500</u>	<u>\$ 192,507</u>	<u>\$ 377,007</u>	<u>\$ 432,765</u>
FUND BALANCES				
Fund balances:				
Reserved for debt service	<u>\$ 184,500</u>	<u>\$ 192,507</u>	<u>\$ 377,007</u>	<u>\$ 432,765</u>

HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007
with comparative totals for the year ended June 30, 2006

	Debt service funds			Totals	
	1996	1998	1999	2007	2006
REVENUES:					
State sources	\$	\$	\$	\$	\$ 42,365
Local sources:					
Property taxes	707,687	489,136	482,135	1,678,958	1,565,536
Investment income	5,166	13,512	13,512	32,190	19,076
Total revenues	712,853	502,648	495,647	1,711,148	1,626,977
EXPENDITURES:					
Principal retirement	700,000	60,000	45,000	805,000	784,277
Interest on bonded debt	44,076	352,037	354,193	750,306	807,864
School bond loan fund repayments		99,225	110,775	210,000	
Professional fees	333	633	634	1,600	1,825
Total expenditures	744,409	511,895	510,602	1,766,906	1,593,966
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(31,556)	(9,247)	(14,955)	(55,758)	33,011
OTHER FINANCING SOURCES:					
Proceeds from school bond					74,593
NET CHANGE IN FUND BALANCES	(31,556)	(9,247)	(14,955)	(55,758)	107,604
FUND BALANCES, beginning of year	31,556	193,747	207,462	432,765	325,161
FUND BALANCES, end of year	\$	\$ 184,500	\$ 192,507	\$ 377,007	\$ 432,765

**HOPKINS PUBLIC SCHOOLS
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007
with comparative totals for June 30, 2006**

	Private purpose trust fund	Agency funds	Totals	
			2007	2006
ASSETS				
Cash	\$	\$ 51,480	\$ 51,480	\$ 46,602
Land	37,000		37,000	37,000
Land improvements	3,522		3,522	3,522
Building	40,000		40,000	40,000
Building improvements	1,097		1,097	1,097
	<u>\$ 81,619</u>	<u>\$ 51,480</u>	<u>\$ 133,099</u>	<u>\$ 128,221</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to student groups	\$	\$ 51,480	\$ 51,480	\$ 46,602
Fund balances:				
Reserved for school use	81,619		81,619	81,619
	<u>\$ 81,619</u>	<u>\$ 51,480</u>	<u>\$ 133,099</u>	<u>\$ 128,221</u>

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2007

	Balance July 1, 2006	Receipts	Disbursements	Balance June 30, 2007
Internal	\$ (342)	\$ 2,228	\$ 1,541	\$ 345
Interest	1,070	5,398	5,178	1,290
High school principal	3,408	2,961	5,424	945
Middle school principal	5,126	20,591	18,923	6,794
Yearbook/Journalism	3,101	14,572	10,736	6,937
FFA	3,008	12,239	12,509	2,738
Band	5,012	11,254	12,860	3,406
Drug Free Schools	3			3
Pep Club	87			87
Destination Imagination	156	413	540	29
Honor Society	466	400	631	235
Spanish Club	2,128	8,169	7,676	2,621
Sp Ed - high school	34			34
HS Student Council	(2,354)	4,518	4,496	(2,332)
Jr. High Student Council	880	1,335	974	1,241
Hopkins Elem. Student Council	3,508	3,970	3,200	4,278
Sycamore Student Council	2,069	819	671	2,217
Leonard Brenner Scholarship	500	700	1,200	
Drama Club	302	613	770	145
AP Classes	133	3,398	3,388	143
SADD	710	384	900	194
Dance Club	476	1,080	1,293	263
Robotics Club		11,195	8,080	3,115
HHS Scholarship	700	2,750	3,350	100
Kenneth Arndt Scholarship	1,254		500	754
Hellwig Scholarship	1,365	200	950	615
Jobe Memorial Scholarship		855	705	150
Wayland VFW Scholarship	100	100	200	
BCBS Scholarship		1,000	1,000	
VanderPloeg Scholarship	50	400	400	50
Brooks Beverage Scholarship	1,000	6,000	6,200	800
Arnsman Athletic Scholarship	1,000	1,000	2,000	

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2007

	Balance July 1, 2006	Receipts	Disbursements	Balance June 30, 2007
Indjer Scholarship	\$ 2,250	\$	\$ 700	\$ 1,550
United Bank		2,000	2,000	
Athletic Director	360			360
Athletic Director programs	219			219
Cross country	666	2,213	1,634	1,245
Varsity girls' basketball	1,195	6,375	6,811	759
Varsity baseball	335	4,156	4,208	283
Softball	1	407	148	260
Class of 2009	1,363	1,114	1,604	873
Class of 2010	600	1,447	865	1,182
Wrestling	1,114	270		1,384
Wrestling Club	181			181
Varsity boys' basketball	1,858	10,959	11,157	1,660
Golf	281	440		721
Bowling Club	1,432	260	1,000	692
Volleyball	9,957	8,848	10,981	7,824
Varsity football	1,825	3,641	2,582	2,884
Varsity cheerleaders	545	4,395	4,546	394
Art Club	1,315	4,228	5,306	237
6th Grade Camp	4,239	23,909	28,156	(8)
6th Grade Team	364	1,190	1,499	55
7th Grade Team	687	2,962	2,969	680
8th Grade Team	949	940	560	1,329
Buddy Reading	334		334	
Track	787	360		1,147
Ski Club	408	1,212	1,215	405
Wise Farm Rental	460			460
Kindergarten - Crowe	474	100	304	270
1st grade - Modreske	136	744	693	187
Soccer Club - girls	184	2,350	1,764	770
Soccer Club - boys		573		573
Kindergarten - Hennip	207	50	42	215
1st grade - Galligan	217	50	267	

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2007

	Balance July 1, 2006	Receipts	Disbursements	Balance June 30, 2007
2nd grade - Edwards	\$ 185	\$ 409	\$ 589	\$ 5
HE Young Authors	257	218	414	61
Shelley Smith	126	50	79	97
Middle school yearbook	1,891	7,497	6,121	3,267
3rd grade - VanDonnelen	50	547	435	162
5th grade - Barry	275	50	324	1
3rd grade - Hoeksema	231	50		281
3rd grade - Vendeville	568	325	635	258
Sp Ed - Ball	283	50		333
4th grade - Rademacher	6	70	59	17
Y5's - Siebers	97	50		147
4th grade - Rigotti - Craig	89	50	76	63
Sp Ed - Irwin	103			103
5th grade - Whitmore	191	50	42	199
HE Library	401	2,758	3,142	17
New musical		12,150	7,633	4,517
Choir	(24,985)	25,117	24,983	(24,851)
Musical	(17,338)	17,491	17,338	(17,185)
HS choir		11,798	8,886	2,912
MS choir		2,038	1,605	433
Hopkins Elementary Misc.	1,212	2,283	2,024	1,471
Hopkins Elementary Field Trips	415	10,220	10,635	
Hopkins Elementary Art	161	50	17	194
Hopkins Elementary Music	264	1,257	1,495	26
Hopkins Elementary Gym	160	50		210
4th grade - Duiven	66	50	79	37
5th grade - Pike	323	3,462	3,290	495
Kindergarten - Coffindaffer	76	100	131	45
2nd grade - Skorupski	41	50	25	66
2nd grade - Wolfe	49	484	472	61
1st grade - Cardenas	77	129	84	122
4th grade - Meyers	150	50	151	49

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2007

	Balance July 1, 2006	Receipts	Disbursements	Balance June 30, 2007
Kindergarten - King	\$ 104	\$ 100	\$	\$ 204
1st grade - Gilbert	33	50	71	12
3rd grade - McClish	91	50	140	1
Sp Ed - Leep	198	50		248
1st grade - Watson	162	50	71	141
Sycamore - Misc.	1,373	2,842	1,315	2,900
Sycamore Field Trips	36	2,378	2,371	43
Sycamore Music	106	491	526	71
Sycamore Art	122	50		172
Sycamore Gym	50	50	17	83
Sycamore Young Authors	1,581	2,991	3,115	1,457
Kindergarten - Hartuniewicz	266	50	133	183
3rd grade - Bardelmeier		50	50	
Sp Ed - Herman	79	50		129
Sycamore Library	1,110	4,402	4,592	920
Class of 2012	200	200		400
Class of 2013		200		200
Class of 2008	1,019	5,300	3,342	2,977
Accelerated Reader - HE	3	500	503	
Class of 2006	1,555		1,555	
Class of 2007	2,790	1,346	3,144	992
High School Spirit Shop	6	1,230	1,090	146
Class of 2011	400	200		600
	<u>\$ 46,601</u>	<u>\$ 325,318</u>	<u>\$ 320,439</u>	<u>\$ 51,480</u>

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1998 REFUNDING BONDS
JUNE 30, 2007**

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2008	4.05	\$ 174,819	\$ 174,819	\$ 415,000	\$ 764,638
2009	4.10	166,415	166,415	415,000	747,830
2010	4.15	158,011	158,011	415,000	731,022
2011	4.20	149,504	149,504	415,000	714,008
2012	4.25	140,893	140,893	415,000	696,786
2013	4.35	132,178	132,178	415,000	679,356
2014	4.40	123,359	123,359	415,000	661,718
2015	4.45	114,333	114,333	415,000	643,666
2016	4.50	105,203	105,203	415,000	625,406
2017	4.55	95,969	95,969	415,000	606,938
2018	4.65	86,631	86,631	415,000	588,262
2019	4.65	77,190	77,190	415,000	569,380
2020	4.65	67,541	67,541	415,000	550,082
2021	4.65	57,893	57,893	415,000	530,786
2022	4.65	48,244	48,244	415,000	511,488
2023	4.65	38,595	38,595	415,000	492,190
2024	4.65	28,946	28,946	415,000	472,892
2025	4.65	19,298	19,298	415,000	453,596
2026	4.65	9,649	9,649	415,000	434,298
		<u>\$ 1,794,671</u>	<u>\$ 1,794,671</u>	<u>\$ 7,885,000</u>	<u>\$ 11,474,342</u>

Total amount of original issue was \$8,370,000.

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1999 REFUNDING BONDS
JUNE 30, 2007**

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2008	4.15	\$ 176,185	\$ 176,185	\$ 415,000	\$ 767,370
2009	4.20	167,678	167,678	415,000	750,356
2010	4.30	159,066	159,066	410,000	728,132
2011	4.35	150,456	150,456	440,000	740,912
2012	4.40	140,996	140,996	430,000	711,992
2013	4.50	131,644	131,644	425,000	688,288
2014	4.55	122,294	122,294	420,000	664,588
2015	4.60	112,844	112,844	420,000	645,688
2016	4.65	103,289	103,289	415,000	621,578
2017	4.70	93,744	93,744	410,000	597,488
2018	4.75	84,211	84,211	405,000	573,422
2019	4.75	74,694	74,694	400,000	549,388
2020	4.75	65,194	65,194	400,000	530,388
2021	4.75	55,694	55,694	395,000	506,388
2022	4.75	46,313	46,313	390,000	482,626
2023	4.75	37,050	37,050	390,000	464,100
2024	4.75	27,788	27,788	390,000	445,576
2025	4.75	18,525	18,525	390,000	427,050
2026	4.75	9,263	9,263	390,000	408,526
		<u>\$ 1,776,928</u>	<u>\$ 1,776,928</u>	<u>\$ 7,750,000</u>	<u>\$ 11,303,856</u>

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
2007 BUILDING AND SITE BONDS
JUNE 30, 2007**

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2008	4.00	\$	\$ 694,595	\$	\$ 694,595
2009	4.00	428,175	428,175	290,000	1,146,350
2010	4.00	422,375	422,375	350,000	1,194,750
2011	4.00	415,375	415,375	375,000	1,205,750
2012	4.00	407,875	407,875	425,000	1,240,750
2013	4.50	399,375	399,375	475,000	1,273,750
2014	5.00	389,875	389,875	525,000	1,304,750
2015	5.00	378,063	378,063	575,000	1,331,126
2016	5.00	363,688	363,688	625,000	1,352,376
2017	5.00	348,063	348,063	675,000	1,371,126
2018	5.00	331,188	331,188	700,000	1,362,376
2019	5.00	313,688	313,688	725,000	1,352,376
2020	5.00	295,563	295,563	750,000	1,341,126
2021	5.00	277,500	277,500	775,000	1,330,000
2022	5.00	258,125	258,125	800,000	1,316,250
2023	5.00	238,125	238,125	825,000	1,301,250
2024	5.00	217,500	217,500	850,000	1,285,000
2025	5.00	196,250	196,250	875,000	1,267,500
2026	5.00	174,375	174,375	900,000	1,248,750
2027	5.00	151,875	151,875	950,000	1,253,750
2028	5.00	128,125	128,125	1,000,000	1,256,250
2029	5.00	103,125	103,125	1,025,000	1,231,250
2030	5.00	77,500	77,500	1,025,000	1,180,000
2031	5.00	51,875	51,875	1,025,000	1,128,750
2032	5.00	26,250	26,250	1,050,000	1,102,500
		<u>\$ 6,393,928</u>	<u>\$ 7,088,523</u>	<u>\$ 17,590,000</u>	<u>\$ 31,072,451</u>

The original amount of the issue was \$8,370,000

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1998 SCHOOL IMPROVEMENT BONDS (DURANT)
JUNE 30, 2007**

<u>Fiscal year ended June 30,</u>	<u>Interest rate</u>	<u>Interest due May 15,</u>	<u>Principal due May 15,</u>	<u>Total due annually</u>
2008	4.76	\$	\$	\$
2009	4.76	1,863	7,115	8,978
2010	4.76	1,524	7,453	8,977
2011	4.76	1,169	7,808	8,977
2012	4.76	798	8,180	8,978
2013	4.76	5,089	21,841	26,930
		<u>\$ 10,443</u>	<u>\$ 52,397</u>	<u>\$ 62,840</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the State Aid Payments). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

HOPKINS PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS – STATE OF MICHIGAN
SCHOOL BOND LOAN FUND
JUNE 30, 2007

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State of Michigan under this program have been summarized as follows:

<u>Year ended June 30,</u>	<u>Loan proceeds</u>	<u>Accrued interest</u>	<u>Net increase</u>	<u>Balance</u>
1997	\$ 352,402	\$ 3,345	\$ 355,747	\$ 355,747
1998	795,365	39,786	835,151	1,190,898
1999	715,300	62,002	777,302	1,968,200
2000	735,978	138,033	874,011	2,842,211
2001	481,735	152,688	634,423	3,476,634
2002	475,473	157,175	632,648	4,109,282
2003	337,000	146,604	483,604	4,592,886
2004	257,000	134,798	391,798	4,984,684
2005	212,606	152,227	364,833	5,349,517
2006	74,593	220,718	295,311	5,644,828
2007	(210,000)	266,875	56,875	5,701,703



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Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Hopkins Public Schools
Hopkins, Michigan

September 5, 2007

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2007, which collectively comprise Hopkins Public Schools basic financial statements and have issued our report thereon dated September 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hopkins Public Schools internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hopkins Public Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hopkins Public Schools internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

September 5, 2007

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hopkins Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Hopkins Public Schools in a separate letter dated September 5, 2007.

This report is intended solely for the information of the Board of Education, management, U.S. Department of Education and Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costurison & Ellis, P.C.

Certified Public Accountants



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September 5, 2007

To the Board of Education
Hopkins Public Schools
Hopkins, Michigan

In planning and performing our audit of the financial statements of Hopkins Public Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Hopkins Public School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 5, 2007 on the financial statements of Hopkins Public Schools. Our comments are summarized as follows:

Credit Cards and Expense Reimbursements

Currently, the board reviews and approves expense reimbursements for the superintendent and the superintendent approves reimbursements for the assistant superintendent. However, when purchases are made on credit cards, these formal approval procedures are not taking place. We suggest the same review and approval procedures for these individuals credit card purchases that are currently in place for expense reimbursements be utilized.

New Notification Requirements for Related Not-for-Profit Organizations with Gross Receipts of \$25,000 or less Such as Booster Groups and PTO's

The Pension Protection Act of 2006 requires these organizations to file an annual electronic notice for tax periods beginning after December 31, 2006, if these organizations are not required to file Form 990 (or 990-EZ), Return of Organization Exempt From Income Tax because their gross receipts are normally \$25,000 or less.

If they are a section 509(a)(3) supporting organization, generally, they must file a paper or electronic Form 990 (or Form 990-EZ) even if their gross receipts are normally \$25,000 or less. However, if they are a supporting organization of a religious organization and their gross receipts are normally \$5,000 or less they may file an annual electronic notice instead of Form 990 (or Form 990-EZ).

The annual electronic notice is due by the 15th day of the fifth month after the close of their tax period. For example, if their tax period ends on December 31, 2007, the annual electronic notice is due May 15, 2008.

The notice will require these organizations to provide the following information:

- Organization's legal name,
- Any other names your organization uses,
- Organization's mailing address,
- Organization's website address (if applicable),
- Organization's employer identification number (EIN),
- Name and address of a principal officer of your organization.
- Organization's annual tax period,
- Verify that your organization's annual gross receipts are still normally \$25,000 or less, and;
- Indicate if your organization has terminated (is no longer in business).

IRS 403(b) Final Regulations

Intent

The intent of the regulations is to consolidate guidance on §403(b) plans issued since 1964.

Effective Date

These regulations are generally effective for taxable years beginning after December 31, 2008.

Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

Written Plan Document

The IRS is working on a model plan document and guidance for school districts. This should contain the provisions necessary for compliance with the new rules.

A plan may consist of several documents, or make reference to other documents, such as annuity contracts and custodial agreements. The employer must ensure that there are no conflicts or inconsistencies between the documents.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

Other Provisions

- Exchange of investment products
- Universal availability
- Distributions
- Terminations

Suggestions

Set up a committee of benefit officials and participants to review the current plan and design the future plan.

Determine if you need a third party administrator (TPA) to administer the plan and create a request for proposal (RFP) for services.

Offer employee education. The IRS is developing this type of information as well as a model plan for school districts.

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area which will continue to be emphasized is your internal controls.

To the Board of Education
Hopkins Public Schools
Hopkins, Michigan

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September 5, 2007

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information and use of Hopkins Public Schools, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner, Costrison & Ellis, P.C.



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Racek
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

September 5, 2007

To Finance Committee
Hopkins Public Schools
Hopkins, Michigan

We have audited the financial statements of Hopkins Public Schools for the year ended June 30, 2007, and have issued our report thereon dated July 21, 2007. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Hopkins Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether Hopkins Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Hopkins Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Hopkins Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the school district's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the school district, either individually or in the aggregate, indicate matters that could have a significant effect on the school district's financial reporting process. Management has approved all adjustments.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the school district's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the finance committee, board of directors, and management of Hopkins Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costurison & Ellis, P.C.